

1998 Agricultural Water Conservation System Credit

Obtain additional information or assistance, tax forms and instructions, and copies of tax rulings and tax procedures by contacting one of the numbers listed below:

Phoenix	(602) 255-3381
Nationwide, toll-free	(800) 352-4090
Form Orders	(602) 542-4260
Forms by Fax	(602) 542-3756
Recorded Tax Information	
Phoenix	(602) 542-1991
Other Arizona areas, toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
Other Arizona areas, toll-free	(800) 397-0256

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at:

www.revenue.state.az.us

General Instructions

ARS §§ 43-1084 and 43-1172 provide a tax credit for the purchase and installation of an agricultural water conservation system. The credit is equal to 75 percent of the qualifying expenses incurred during the taxable year.

To Qualify for the Credit:

- The system must be primarily designed to substantially conserve water on land that the taxpayer or taxpayer's tenant uses to:
 - a. produce crops, fruits, or other agricultural products; **or**
 - b. raise, harvest, or grow trees; **or**
 - c. sustain livestock.
- The expense must be consistent with a conservation plan that the taxpayer has filed and that is in effect with the United States Department of Agriculture Soil Conservation Service.

If the allowable tax credit exceeds the taxes otherwise due on the claimant's income or if there are no taxes due, the taxpayer may carry the unused credit forward for a period not to exceed the next five taxable years.

Co-owners of a business may each claim only a pro rata share of the credit allowed based on their ownership interest. Co-owners of a business include partners in a partnership and shareholders of an S corporation as defined in section 1361 of the Internal Revenue Code. The total of the credits allowed all owners may not exceed the amount that would have been allowed for a sole owner of the business.

Line-by-Line Instructions

Type or print the required information in the name and taxpayer identification number section at the top of the form. Fiscal year basis taxpayers must indicate the period covered by the taxable year. Attach the completed form to the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, S corporation, or a partnership is the taxpayer's federal employer identification number. The TIN for an individual is the taxpayer's social security number or an IRS individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

Part I - Qualifying Water Conservation System

Lines 1 through 3 -

On lines 1 through 3, enter the information relating to the water conservation system purchased and installed for which the credit is being claimed.

If the system is not one of the systems or system changes listed, check the "other" box. Give a detailed description of the system and an explanation of how it qualifies for the credit.

Part II - Calculation of the Current Year's Tax Credit

Line 4 -

Enter the amount of total expenses relating to the water conservation system spent in the current year.

Line 5 -

Enter the amount of any reimbursement received for expenses relating to the water conservation system.

Line 6 -

Subtract line 5 from line 4. Enter the difference.

Line 7 -

Multiply line 6 by 75 percent. Enter the result.

Part III - S Corporations Only - Special S Corporation Election and Shareholder's Share of Credit

Line 8 - S Corporation Election

All S corporations must complete line 8. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. One of the officers of the S corporation who is also a signatory to the Arizona Form 120S must sign this election.

Lines 9 through 11 -

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 9 through 11.

An S corporation must complete Parts I and II of Form 312. Then, complete lines 9 through 11 separately for each shareholder. The S corporation must furnish each shareholder with a copy of the completed Form 312.

An S corporation which passes this credit through to its shareholders, must notify each shareholder of the shareholder's pro rata share of the adjustment to income required by the disallowance of the expenses for which the credit is claimed.

Each shareholder must complete lines 15 through 23.

Part IV - Partnerships Only - Partner's Share of Credit

Lines 12 through 14

A partnership must complete Parts I and II. Then complete lines 12 through 14 separately for each partner. The partnership must furnish each partner with a copy of the completed Form 312.

Each partner must complete lines 15 through 23.

Part V - Available Credit Carryover

Calculate the total available carryover of the agricultural water conservation credit on page 2, Part V, lines 15 through 20. Complete these lines if the taxpayer claimed the credit on a prior taxable year's tax return and had excess credit.

Enter the taxable year(s) from which the credit is carried over in column (a) on lines 15 through 19. In column (b) enter the credit originally computed for that taxable year. In column (c) enter the amount of the credit from that taxable year which has already been used. Subtract the amount in column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 15 through 19 in column (d). Enter the total on line 20, column (d).

Part VI - Calculation of Available Credit for Current Year

Line 21 -

Enter the current year's credit.

Individuals, corporations, or S corporations (that elected to claim the credit) - Enter the amount from Part II, line 7.

S corporation shareholders - Enter the amount from Part III, line 11.

Partners of a partnership - Enter the amount from Part IV, line 14.

Line 22 -

Enter the amount of available carryover from Part V, line 20, column (d).

Line 23 -

Add lines 21 and 22. This is the total available credit that may be applied to the current taxable year's tax liability. Enter the total here and on Form 300, Part I, line 8, or Form 301, Part I, line 8.